

File:

S/047/081

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April 18, 2006

Div. of Oil, Gas & Mining

EOG Resources Inc.  
Attn: Toni Miller  
600 17th Street  
Suite 1100 N  
Denver, Colorado 80202

Certified Mail No. 7161 3901 9842 9870 9320

Black Sands Holding Co.  
Attn: Frank Ginton  
2939 S. Tamarac Street  
Denver, Colorado 80231

Certified Mail No. 7161 3901 9842 9870 9337

Alan Propp  
12324 E. Bates Circle  
Aurora, Colorado 80014

Certified Mail No. 7161 3901 9842 9870 9344

Dear Lessee(s):

On April 13, 2006, the staff of the Division of Oil Gas and Mining ("DOGM") conducted a site inspection of the proposed mine and processing facility that lie on lands encompasses by lease ML 47287. This mine site and processing facility is identified under DOGM file # S/047/081.

The inspection revealed that a tar sands processing facility had already been put in place prior to approval of the mine plan. Even though a Notice of Intent to Commence Small Mining has been submitted to DOGM it is a violation of the lease agreement to commence with mine development and related processing facilities prior to approval by DOGM and the School and Institutional Trust Lands Administration.

EOG Resources Inc., as the lessee of record, and Black Sands Holdings Co. as the applicant of Notice of Intent to Commence Small Mine Operations, # S/047/081, are hereby notified of default of the terms and conditions of the lease agreement and rules governing the management and use of School and Institutional Trust Land. To remedy the default Black Sands Holding Co. must comply with the requirements for approval and obtain written approval from DOGM and the Trust Lands Administration to commence with the proposed small mine development. As per Section 10 of the lease agreement, failure to remedy the default within 30 days of the date of this notice will result in lease cancellation.



April 18, 2006  
EOG, Black Sands, Propp

Please contact Division of Oil Gas and Mining regarding the status of the referenced small mine plan.

If you have any questions please contact me at (801) 538-5153.

Sincerely

William M. Stokes  
Minerals Resource Specialist